



City Auditor's Office

4021 N. 75th Street, Suite 105
Scottsdale, AZ 85251

PHONE 480-312-7288
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WEB www.ScottsdaleAZ.gov

June 5, 2009

Your Honor and Members of the City Council:

Enclosed is the opinion letter outlining the results of the external peer review of our Office completed on June 4, 2009. The review was conducted by Mike Edmonds, Certified Internal Auditor, and Jorge Oseguera, Senior Performance Auditor for the City of San Jose, California. I am pleased to report that the team determined our Office was in full compliance with government auditing standards for the three-year period reviewed.

Periodic external quality reviews are required by City ordinance and also by standards promulgated by the Government Accountability Office for government audits. Included within the scope of this review were audits issued between January 1, 2006, and December 31, 2008. To complete the review, the team used guidelines outlined in the National Association of Local Government Auditors *Peer Review Guide*, 2008 revision. The objectives of the review were to determine whether, during the period January 2006 through December 2008, the Scottsdale City Auditor's internal quality control system was 1) suitably designed and 2) operating effectively to provide reasonable assurance of complying with applicable *Government Auditing Standards* issued by the Comptroller General of the United States.

To enhance our quality control environment, the team prepared a management letter that outlines three recommendations for improvement. This management letter, as well as my response, is included for your review. If you have any questions or would like to discuss this report, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Brent Stockwell", is written over a horizontal line.

Brent Stockwell
Acting City Auditor



External Quality Control Review

of the
City Auditor's Office
City of Scottsdale, Arizona

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**



Association of Local Government Auditors

June 4, 2009

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Mr. Brent Stockwell, Acting City Auditor
City Auditor's Office
City of Scottsdale
4021 N. 75th Street, Suite 105
Scottsdale, AZ


Dear Mr. Stockwell,


We have completed a peer review of the City Auditor's Office for the City of Scottsdale for the period January 1, 2006 through December 31, 2008. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors.

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City Auditor's Office for the City of Scottsdale's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements conducted during the period January 1, 2006 through December 31, 2008.

We have prepared a separate letter noting areas where your office excels and offering suggestions to further strengthen your internal quality control system.


Mike Edmonds, CIA


Jorge Oseguera
City of San Jose



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June 4, 2009

Mr. Brent Stockwell, Acting City Auditor
City Auditor's Office
City of Scottsdale
4021 N. 75th Street, Suite 105
Scottsdale, AZ

Dear Mr. Stockwell,

We have completed a peer review of the City Auditor's Office for the City of Scottsdale for the period January 1, 2006 through December 31, 2008, and issued our report dated June 4, 2009. We are issuing this companion letter noting areas which your office excels and offering certain observations and suggestions for enhancing the office's compliance with Government Auditing Standards.

We would like to mention some of the areas in which we believe your office excels:

- The office has recently experienced significant turnover in staff, including the City Auditor; however, the new staff is committed to developing a strong auditing organization and is very receptive to improving its processes to ensure compliance with Government Auditing Standards.
- The office has developed an excellent annual monitoring report to improve its quality control processes and to ensure compliance with Government Auditing Standards.
- The office has developed an excellent system for evaluating audit staff. This system includes an employee performance plan which identifies work priorities, essential functions, and goals for the year. The audit staff is evaluated based on their performance compared to the performance plan.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- **Observation #1:** Section 3.50 of Government Auditing Standards requires audit organizations to establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. Written policies and procedures are a key component of an organization quality control system. These written policies and procedures should be communicated to audit staff. Although the office has established a comprehensive policies and procedures manual, our review noted that several additional policies and procedures are needed to enhance compliance with Government Auditing Standards. Specifically, we noted that the office needs additional policies and procedures regarding non-audit services, monitoring of audit quality, and assessing the overall sufficiency and appropriateness of audit evidence.
- **Recommendation #1:** We suggest that the office develop and implement written policies and procedures for non-audit services, monitoring of audit quality, and assessing the overall sufficiency and appropriateness of audit evidence.
- **Observation #2:** Section 7.50 Government Auditing Standards require auditors to prepare a written audit plan for each audit. The audit plan should include audit objectives and a description of the audit work needed to complete those objectives. Furthermore, auditors should update the audit plan, as necessary, to reflect any significant changes. Although our review noted that audit plans for individual audits were developed, we noted that audit plans were not consistently revised to reflect changes to these plans.
- **Recommendation #2:** We suggest that your office take steps to ensure that audit plans for individual audits are regularly updated to reflect the work performed on audits.
- **Observation #3:** Section 8.08 of Government Auditing Standards states that auditors should prepare audit reports that contain 1) the objectives, scope, and methodology of the audit; 2) the audit results, including findings, conclusions, and recommendations, as appropriate; 3) a statement about the auditor's compliance with Government Auditing Standards; 4) a summary of the views of responsible officials; and 5) if applicable, the nature of any confidential or sensitive information omitted. Although the office's reports include most of the above elements, we noted that the audit reports did not include recommendations to address deficiencies noted in the audit reports. Effective recommendations encourage

improvement in the conduct of government when the potential for improvements in programs, operations, and performance is substantiated by the reported findings and conclusions. In addition, including the recommendations in the audit report facilitates follow up to determine whether appropriate corrective actions have been taken.

- **Recommendation #3:** We suggest that the office include the audit recommendations in the audit reports.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,



Mike Edmonds, CIA



Jorge Oseguera
City of San Jose



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June 5, 2009

Mr. Mike Edmonds
Mr. Jorge Oseguera

I have reviewed your report dated June 4, 2009, containing the results of your external quality control review of the Scottsdale City Auditor's Office. I am pleased with your conclusion that our Office was in full compliance with Government Auditing Standards for the period January 1, 2006, through December 31, 2008.

I appreciate the time that you took from your own offices to conduct this review. I also appreciate your professionalism and the thorough manner in which the work was completed. I believe that your recommendations will help our Office ensure that we continue to meet applicable standards. We will also be sharing the results of the quality control review with the City Council and will keep them apprised of the status of your recommendations.

The following steps will be taken in response to your recommendations:

- RECOMMENDATION #1: Develop and implement written policies and procedures for non-audit services, monitoring of audit quality, and assessing the overall sufficiency and appropriateness of audit evidence.

RESPONSE #1: Using the guidance found in Yellow Book, we will update our policies and procedures to include non-audit services, monitoring of audit quality, and assessing the overall sufficiency and appropriateness of audit evidence. This will be complete within the next 90 days.

- RECOMMENDATION: #2 Take steps to ensure that audit plans for individual audits are regularly updated to reflect the work performed on audits.

RESPONSE #2: We will update individual audit plans on a regular basis for any changes to the plans as audit work progresses.

- RECOMMENDATION #3: Include audit recommendations in the audit reports.

RESPONSE #3: Although audit recommendations were included in the draft report to management, effective April 2009, we also began including audit recommendations in the final audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "Brent Stockwell", is written over a horizontal line.

Brent Stockwell
Acting City Auditor

CC: Ms. LaVonne Griffin-Valade